



2022

Rural Affordable Rental Housing Program



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MaineHousing

Rural Affordable Rental Housing Program

Introduction

Maine State Housing Authority (“MaineHousing”) is pleased to announce the Rural Affordable Rental Housing Program (the “Rural Affordable Rental Housing Program” or the “Program”). Funding for this Program is, in part, through the Maine Jobs and Recovery Plan, Governor Mills’ plan, approved by the Legislature, to invest nearly \$1 billion in Federal American Rescue Plan funds to improve the lives of Maine people and families, help businesses create good-paying jobs, and build an economy poised for future prosperity. In an effort to offer solutions to both the current affordable housing crisis, which disproportionately impacts low and moderate income Maine households, and the lack of federal resources directed at rental housing in rural areas, MaineHousing is making funds available to facilitate the development of affordable rental housing in areas and at a size where traditional Low Income Housing Tax Credit projects are not feasible.

The Rural Affordable Rental Housing Program is intended to assist developers in creating affordable, workforce, rental housing consisting of five to 18 units where 100% of the units are leased to households making no more than 80% of Area Median Income and are leased at not more than 80% Area Median Income rents. All residents must inhabit the units as their primary, permanent residence. The Program may finance (i) the acquisition and adaptive re-use of an existing building or buildings, (ii) the acquisition and substantial rehabilitation of existing, non-rent restricted housing, or (iii) the creation of a newly constructed building or buildings. For purposes of this program, substantial rehabilitation is defined as the acquisition and rehabilitation of existing, non-rent restricted housing in which the cost of the rehabilitation (as deemed necessary by MaineHousing) averages at least \$50,000 per unit.

One goal of the Rural Affordable Rental Housing Program is to bring economic equity to rural areas of Maine, which are often left out of the Low Income Housing Tax Credit program as the size, scale and lack of investor interest makes them all but unworkable. The Program will provide subsidy in the form of zero interest forgivable loans as well as paying debt for the acquisition and substantial rehabilitation or construction of any units developed under the Program. The affordability will be required for a minimum of 45 years as described herein.

MaineHousing reserves the right to suspend or terminate the Program at any time and to cease processing any project application prior to issuing a term sheet. MaineHousing is under no obligation to finance a project until a term sheet has been issued by MaineHousing and accepted by the applicant in accordance with its terms.

Funding

The maximum forgivable loan amount is \$100,000 per unit for acquisition rehab projects and \$185,000 per unit for adaptive re-use or new construction units. The maximum forgivable loan amount is \$1,800,000 per acquisition rehab project and \$3,330,000 per new construction or adaptive reuse project. Applicants must accept 5% interest only, 30-year paying debt from MaineHousing if the project cash flow supports paying debt.

Developers participating in the Rural Affordable Rental Housing Program must comply with MaineHousing Rule, Chapter 29, Multi-family Mortgage Loans and any reporting or other requirements of the source of funds.

Timing of Applications

Applications are accepted on an on-going basis as long as resources are available and must be in the form prescribed by MaineHousing. MaineHousing will review applications on a first-come, first-served basis. MaineHousing reserves the exclusive right to determine whether an application meets the requirements of the Program.

Location

Rural means any part of the State of Maine that is deemed rural by the United States Department of Agriculture, Rural Development for multi-family housing. Please use the following link to determine if your property address is eligible:

<https://eligibility.sc.egov.usda.gov/eligibility/welcomeAction.do?pageAction=mfhc>

MaineHousing encourages developers to work with communities in designing and siting projects. It is our understanding that a number of communities in the State are eager for additional workforce housing. Communities can assist developers through pledging local or county American Recovery Plan Act (“ARPA”) funds, providing for density bonuses or other land use and zoning assistance, donating land or agreeing to favorable Payment In Lieu Of Taxes agreements to benefit to the project.

A project that involves the new construction of, or acquisition of newly constructed, residential rental property, or the conversion of existing buildings to residential rental property, must comply with the State’s Growth Management Law, 30-A M.R.S.A. §4349-A, as amended. Projects must meet the following criteria to be eligible for funding:

- (1) If the municipality in which the project is located has adopted a comprehensive plan or growth management plan that is consistent with applicable State law, then the project must be in a designated growth area as identified in such plan; or
- (2) If the municipality does not have a consistent comprehensive plan or growth management plan, the project must be located in an area:
 - a. Served by a public sewer system with existing capacity for the project,
 - b. Identified as a census-designated place in the latest Federal Decennial Census, or
 - c. In an urban municipality and defined under 23 M.R.S.A. §754 as compact.

The law exempts projects that exclusively serve certain populations, such as persons with disabilities, who are homeless, or are wards of the State.

Targeting

Projects developed under this Program must comply with the rent and income limits described under (1) and the affordability declaration described in (2):

- (1) Units developed under this Program must be rented to households with incomes equal to or less than 80% of Area Median Income. Rents are limited to 80% Area Median Income rents as published here: <https://www.mainehousing.org/charts/rent-income-charts>

Displacing tenants in existing rental housing is prohibited. Existing tenants must be allowed to remain in their units; to facilitate this, MaineHousing will allow existing tenants to remain in

their units even if their income is greater than allowed by this program and MaineHousing will limit rent increases to existing tenants to no more than 5% annually for three (3) years from the date the project's rehabilitation is complete as determined by MaineHousing. Upon unit turn-over, tenant incomes and rents will be limited as described herein.

- (2) Each deferred forgivable mortgage will be accompanied by a Declaration of Covenants and Restrictions, which will require, among other things, that the project maintain the affordability requirements of the property for a minimum of 45 years from the initial date of the mortgage.

Asset Management

MaineHousing will require income certification of all households at initial lease-up. Proof of income may be from the applicant's most recent tax return or, if on a fixed income, a letter from the United States Social Security Administration or six (6) weeks of pay stubs. Once a household is deemed eligible, no on-going income certifications will be necessary. Occupancy reports, in a form prescribed by MaineHousing, will be submitted annually.

MaineHousing reserves the right to request Audited Financial Reports at any time.

Replacement Reserves must be funded at 1% of cost of structures at loan closing. Annual funding of Replacement Reserves will be in the amount of \$600 per unit. A taxes and insurance reserve will also be required. All reserves will be held by MaineHousing.

MaineHousing will inspect properties at least every three (3) years to ensure properties meet the United States Department of Housing and Urban Development's Uniform Physical Condition Standards. Any deficiencies will need to be addressed. MaineHousing will work with owners to address capital needs from the Replacement Reserves.

Eligible Developers

Eligible developers are:

- Public Housing Authorities,
- Community Action Agencies,
- Non-Profit Housing Developers, and
- For-Profit Housing Developers

Developers and the members of the development team (contractors, engineers, architects) must be in good standing and either have successful prior experience with a MaineHousing development program or be able to demonstrate, to MaineHousing's satisfaction, sufficient experience in developing a multi-family housing development.

Developer Fees

The maximum developer fee, including all overhead and profit, is \$15,000 per unit.

Construction Standards

The site development and construction shall comply with:

- (1) Federal, State, and Local Laws including accessibility requirements,
- (2) Maine Uniform Building and Energy Code (MUBEC) 2015, or the newest MUBEC in effect at the time of permitting,
- (3) Uniform Physical Condition Standards, and
- (4) All applicable local and state codes, ordinances, and standards as evidenced by inspection reports and/or written approval from local code enforcement officials (this applies to all municipalities within the State of Maine regardless of population size)

All projects developed under the Program must:

- (1) Include electrical raceways/conduits from the electrical panel to terminal units at the parking area for the future installation of Level 2 electric vehicle chargers and have an electrical panel that is adequately sized to provide for the future installation of Level 2 electric vehicle chargers.
- (2) Include electrical raceways/conduits from the electrical panel to terminal units at the roof for the future installation of PV solar panels and provide an electrical panel that is adequately sized to provide for the future installation of PV solar panels.
- (3) Include an internet connection in every unit and each unit must have access to internet service.

In addition, all new construction projects must utilize all electric equipment and systems such as heat pump(s), resistance heat, variable refrigerant flow, variable frequency drives, or other non-fossil fuel systems for heating, domestic hot water, cooking, and any cooling needs.

MaineHousing Construction Services will review plans for code compliance and accessibility laws and will inspect for code and accessibility compliance at project completion prior to closing. MaineHousing reserves the right to access and inspect all phases of the site work and construction to determine compliance with its standards.

Security

In order to obtain a forgivable loan for projects, the developer will execute a 45-year deferred, forgivable promissory note without interest, a mortgage and security agreement in favor of MaineHousing, a declaration of affordability covenants to be recorded at the applicable registry of deeds, and other documents and due diligence items as may be required by MaineHousing to secure the developer's obligations under the note and the Program. Generally, MaineHousing financing must be secured by a first lien mortgage and security interest in the land and improvements, a general assignment of leases, rents and contracts, a UCC security interest in all fixtures and personal property of the development, a security interest in all accounts, reserves and escrows, established in connection with the development, indemnifications and other collateral required by MaineHousing in its sole discretion.

Projects will be required to comply with affordability and other requirements for the 45-year term. The loan may not be prepaid.

Application Requirements

For MaineHousing to accept and process an application under the Program the following will be required:

- (1) Application – **Exhibit A**.
- (2) IRS 501(c)(3) tax-exemption determination letter (if applicable)
- (3) Corporate resolution demonstrating authority to undertake the project and incur the liability of financing
- (4) Completed MaineHousing pro forma available at:
(<https://www.mainehousing.org/ruralhousing>)
- (5) Evidence of site control (such as a deed, purchase and sale agreement, or an option);
- (6) Evidence that the project fits within existing zoning rules or final planning board approval if any variances were granted;
- (7) A narrative that addresses each of the following items concerning the *applicant*:
 - a. Legal name;
 - b. Contact person, mailing address, phone and email address;
 - c. Current legal status;
 - d. Brief history, staffing levels, primary activities, geographic area of operations, prior experience with MaineHousing and the constituency or clientele to be served;
 - e. Qualifications and experience of developer’s proposed project team including any consultants, architects, site planners and/or engineer and contractors.
 - f. Financial statements for the most recent fiscal year;
 - g. Taxpayer Identification Number (“TIN”); and
 - h. A description of any real estate assets that are in default or foreclosure with a lending institution of that are otherwise at risk of substantive financial problems.
- (8) A narrative that addresses each of the following items concerning the *project*:
 - a. Legal address;
 - b. Detailed description of any existing structures, including size, design, construction materials, foundation, condition, estimated age, utilities, historic use(s), accessibility, parking, and observable environmental concerns;
 - c. The planned number of total units;
 - d. Any non-residential space;
 - e. Scope of expected rehabilitation or construction;
 - f. Development timeline;
 - g. Total funding requested from MaineHousing in the form of a forgivable loan (subsidy);
 - h. Total funding requested from MaineHousing in the form of a paying loan (debt); and
 - i. Total funding from other sources (describe and include copies of commitment letters for all other sources required for the project)
- (9) A certification that if the applicant receives funding, the applicant will comply with all reporting requirements as determined by MaineHousing.

Submission and Contact Information

Applications must be submitted to Kelly Purington at kpurington@mainehousing.org

Any questions about the Rural Affordable Rental Housing Program must be directed to MFDev@mainehousing.org

MaineHousing Non-Discrimination Policy

Maine State Housing Authority does not discriminate on the basis of race, color, religion, sex, sexual orientation, gender identity or expression, marital status, national origin, ancestry, physical or mental disability, age, familial status or receipt of public assistance in the admission or access to or treatment in its programs and activities. In employment, MaineHousing does not discriminate on the basis of race, color, religion, sex, sexual orientation, gender identity or expression, national origin, ancestry, age, physical or mental disability or genetic information. MaineHousing will provide appropriate communication auxiliary aids and services upon sufficient notice. MaineHousing will also provide this document in alternative formats upon sufficient notice. MaineHousing has designated the following person responsible for coordinating compliance with applicable federal and state nondiscrimination requirements and addressing grievances: Lauren Bustard, Maine State Housing Authority, 26 Edison Dr., Augusta, Maine 04330-4633, Telephone Number 1-800-452-4668 (voice in state only), (207) 626-4600 (voice) or Maine Relay 711.

Approved:



Daniel E. Brennan
Director
May 4, 2022

Exhibit A Application

I am aware that this Application must be signed and complete, including required exhibits and attachments as noted.

To the best of my knowledge, all information contained in this application and its supporting exhibits and attachments is true and correct. I also hereby authorize the Maine State Housing Authority (“MaineHousing”) to evaluate the application in such manner as MaineHousing deems necessary, including discussing this application with any lender, municipal official, vendor, or other party with an interest in this property or project.

I hereby authorize MaineHousing to verify any bank or other fund balance indicated on any personal or organizational financial exhibit, to investigate credit, employment or business standing of that or any related party, to disclose any aspect of the financial information to any person but only for the purpose of determining the accuracy of the information or otherwise investigate and evaluate the application in such manner as MaineHousing deems necessary.

I certify that neither the owner/applicant, its principals or partners is presently debarred, suspended, proposed for debarment, declared ineligible or voluntarily excluded from participation in any HUD programs.

Neither the applicant, nor any principal or affiliate of the applicant, nor anyone who will be paid for work on the program has business ties, familial relationships, or other close personal relationships with a current MaineHousing employee or commissioner or anyone who was a MaineHousing employee or commissioner within the past year except as follows:

Applications must be signed by all principals (Individual, Partner, or Corporate representative authorized to bind the company) in the applicant entity.

NAME of DEVELOPER [if applicable]

By: _____

Printed Name: _____

Its: _____

No application for financing will be accepted or approved by MaineHousing if the applicant, or any entity controlled by the applicant, is more than 60 days delinquent on any loan with MaineHousing, or has been declared in default of such loan, unless either an approved payment or workout plan is in place and in good standing.

UNSIGNED APPLICATIONS WILL NOT BE ACCEPTED